



# **RESPONSIBLE INVESTING REQUEST FOR INFORMATION**

Firm Name: Fisher Investments (FI)<sup>1</sup>

Completed By: Sam Movish

Date Completed: July 28, 2021

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## PREAMBLE

In accordance with Queen's University's Responsible Investing Policy, as approved in May 2017, we require all of Queen's External Investment Managers to take due regard of environmental, social, and governance ("ESG") factors in making investment decisions. Managers will be asked to engage where appropriate and report to the University on their ESG activities on an annual basis.

Link to Responsible Investing Policy:

<http://queensu.ca/secretariat/sites/webpublish.queensu.ca.uslclwww/files/files/policies/board/Responsible%20Investing%20Policy.pdf>

**To assist with our due diligence, we request that you respond to the following questions no later than July 30, 2021.**

**Note: Responses to this questionnaire will be posted in full on Queen's website.**

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## GENERAL

### 1) Please provide your ESG-related policies.

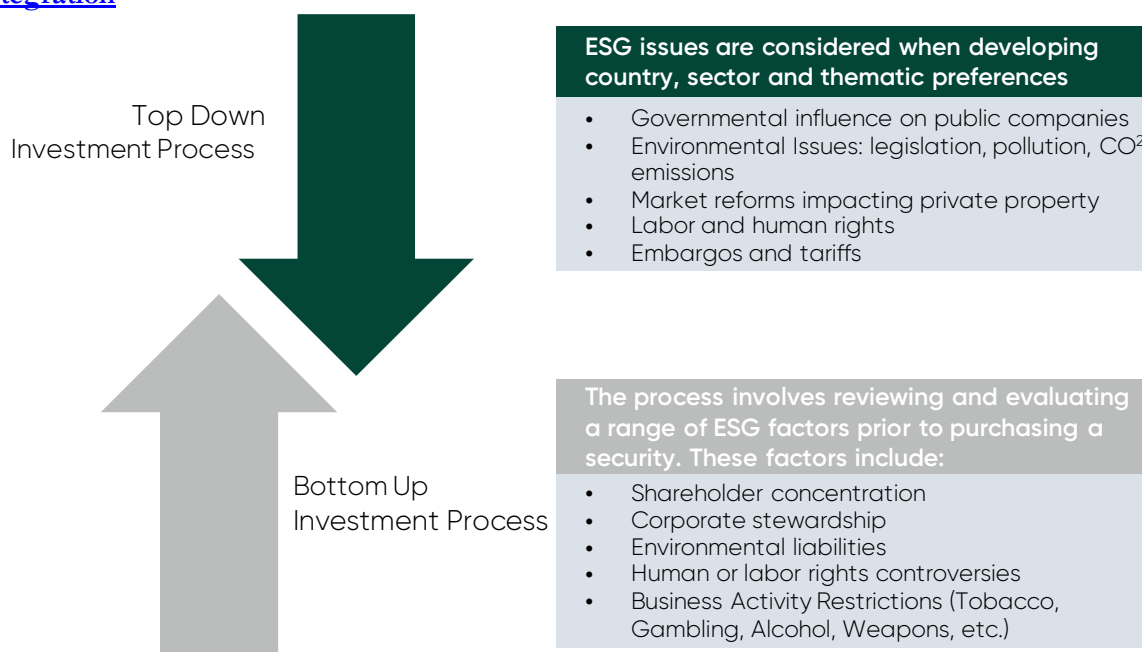
FI considers environmental, social and governance issues in our investment and portfolio construction process. Additionally, we regularly screen and tailor our investment approach for separately managed accounts depending on any particular social and/or environmental guidelines mandated by the client. Please find our ESG Policy Statement in the attachments.

### 2) Are sustainable investing and ESG factors integrated into your investment process and portfolio management decisions? If yes, please provide details.

Yes. FI's Investment Policy Committee (IPC – the firm's portfolio managers) evaluates and integrates sustainable investing and ESG factors at multiple stages throughout the investment process. FI believes ESG investors are best served by an investment process considering both top-down ESG issues, as well as those same ESG issues from a bottom-up perspective. FI believes integrating ESG analysis at the country, sector and security levels consistent with the clients' investment goals and ESG policies increases the likelihood of achieving desired performance and improving environmental and social conditions globally. Our unique investment process seeks to avoid, or significantly underweight, countries presenting an inordinate risk to our ability to generate sustainable, long-term out-performance. FI works to incorporate ESG practices into the investment process by avoiding, or significantly underweighting, countries, sectors, or securities in a manner that focuses on long-term results (rather than immediate returns) and allows for repeatability in the application of our investment process

Please see on the following page a diagram of ESG integration through the investment process.

## ESG Integration



### Top-Down ESG Investment Process

ESG factors are among the many drivers considered by FI's Capital Markets Analysts and FI's IPC when developing country, sector and thematic preferences. Our process begins with a top-down approach, in which we apply capital markets technology (i.e., proprietary research tools) to the analysis of a wide range of economic, political and sentiment drivers to formulate forecasts and develop portfolio themes. FI's investment strategies attempt to capitalize on style and sector cycles as they come into and out of favor. At this stage in the investment process, FI's Capital Markets Analysts, working with FI's IPC, evaluate how ESG issues may affect portfolio themes.

Our emphasis in understanding the dynamics of political outcomes provides insights on how ESG issues affect equities. We monitor key social policies driving wealth creation and economic growth, including infrastructure investment, tax policy, free trade, property rights and government reform, as well as social factors. Political factors affecting these social policies are also integral to our top-down analysis (e.g., election cycles, legislative gridlock, etc.), and we maintain a keen awareness of regulatory risk. Additionally, environmental factors frequently influence our Capital Markets research. Our Analysts monitor advancing energy efficiency (especially within Industrials and Technology companies), nuclear power risks, resource extraction implications (e.g., labor strikes and resource nationalization) and litigation risk tied to environmental impact, among other factors.

FI's IPC, with the assistance of FI's Securities and Capital Markets Analysts determines the materiality of the ESG considerations as they pertain to countries, industries or individual securities. These ESG factors are incorporated into the sector and country weight preferences as well as individual security selection. FI's investment strategy and positioning reflects the firm's outlook over the next 12-18 months. Determinations on the materiality of ESG factors by FI's IPC, as with market forecasting, are generally assessed over this same timeframe.

### Mechanical Negative Screening

FI is able to refine prospective security lists further by applying mechanical ESG screens to the list of prospective securities, using MSCI ESG Research and other data sources. Please see on the following page, a graphic illustrating a sample of FI's mechanical ESG screens.

## Sample of Mechanical ESG Screens

SAMPLING OF AVAILABLE MECHANICAL SCREENS			
DEFENSE AND WEAPONS	BUSINESS ACTIVITIES	GLOBAL SANCTIONS	GLOBAL NORMS AND CONVENTIONS
<ul style="list-style-type: none"><li>• Biological/chemical</li><li>• Conventional</li><li>• Depleted uranium weapons production</li><li>• Nuclear</li><li>• Civilian firearms</li><li>• Cluster munitions (any ties)</li><li>• Landmines (any ties)</li></ul>	<ul style="list-style-type: none"><li>• Adult entertainment</li><li>• Alcohol/gambling/tobacco</li><li>• Child labour controversy</li><li>• Genetic engineering</li><li>• Animal welfare</li><li>• Thermal coal extraction &amp; power generation</li></ul>	<ul style="list-style-type: none"><li>• US Office of Foreign Asset Control (OFAC)</li><li>• EU sanctioned entities</li><li>• Canada's Special Economic Measures Act (SEMA)</li><li>• Australian Department of Foreign Affairs and Trade (DFAT)</li></ul>	<ul style="list-style-type: none"><li>• UN Global Compact</li><li>• ILO core conventions</li><li>• ESG Controversies</li><li>• The Norwegian Global Pension Fund restriction list</li></ul>

### ESG Bottom-Up Integration

We evaluate ESG issues on a case-by-case basis, and are willing to consider the potential impact of all types of ESG concerns. In particular, we routinely evaluate a range of governance issues and off balance sheet risks as part of our stock selection analysis. These include consideration of a company's auditors and whether their opinions are qualified or they have potential conflicts of interest, shareholder concentration, review of regulatory filings, and review of news flow from a wide range of sources for potential ESG concerns.

FI's Securities Analysts then perform qualitative, fundamental research on prospective investments to identify securities with strategic attributes most consistent with the firm's top-down views and with competitive advantages relative to their defined peer group. The fundamental research process involves reviewing and evaluating a range of ESG factors with FI's IPC prior to purchasing a security with the goals of identifying securities benefitting from ESG trends and avoiding those with underappreciated risks. These factors include, but are not limited to, shareholder concentration, corporate stewardship, environmental opportunities and liabilities, and human or labor rights controversies. In situations where security level issues violate a client mandated ESG policy or present an inordinate risk to a company's operational or financial performance, or the firm believes they present undue headline risk to share price performance, FI would choose not to invest in that company.

In addition to identifying ESG risks we also seek to identify a company's positive ESG attributes to help select securities that will likely benefit from continuing ESG improvements as well as ongoing ESG trends.

### Firm Dedication to ESG

In order to meet clients' ESG demands, we are committed to continually improving our ESG capabilities. For example, one of FI's IPC members is currently on the PRI Working Group, which is committed to examining the Sustainable Development Goals in Active Ownership. We also have an ESG Committee that meets regularly to develop and review our ESG policies to move FI forward as a leader in ESG.

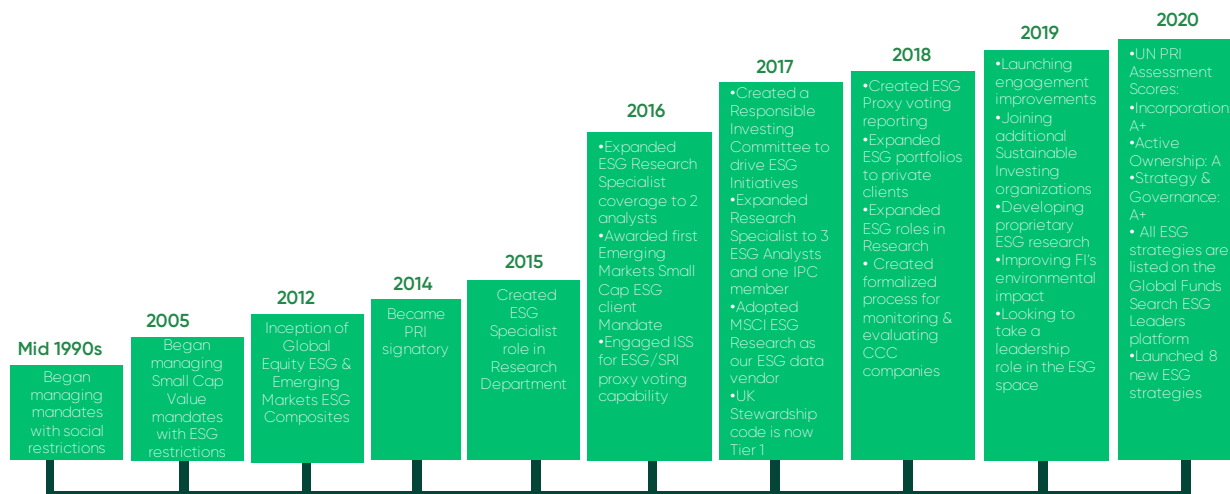
Our Investor Responsibility & Engagement team engages companies in dialogue on significant ESG issues. The team utilizes top-down processes to prioritize sectors and issues, then applies bottom up analysis to identify company leaders and laggards. Common engagement themes include climate change, stewardship of natural resources and respecting human rights. Engagement objectives are established at the outset and progress is tracked over time. The majority of FI engagements are conducted individually, however, we also engage collaboratively with other investors and clients to achieve common goals.

FI has been managing accounts with various thresholds of environmental and social mandates for over two decades. Over that time, FI has been able to satisfy its clients' environmentally and socially-responsible mandates without compromising the firm's broader market outlook and themes. As of June 30, 2021, FI managed over \$27 billion CAD within 51 client accounts with environmental, religious, and/or socially responsible restrictions without adversely affecting our themes or performance.

Within our top-down investment process, FI's IPC, with the support of the Research Department<sup>2</sup>, reviews ESG issues and the risks they may present to the portfolio. FI's five ESG Research Specialists are responsible for staying on top of current and developing ESG trends, and briefing FI's IPC when appropriate. Moreover, the ESG Research Specialists work with our ESG data providers to ensure quality and comprehensive ESG data is available for our decision-making and monitor the consistent application of ongoing ESG analysis for individual securities.

Please also find below a timeline of ESG developments and integration at FI.

### Timeline of ESG at the firm



### 3) a) Are you a signatory to the UNPRI?

Yes, in 2014, FI became a signatory to the UNPRI. Please find attached the latest copy of FI's UNPRI Report. On the 2020 Assessment Report, FI received A+ scores on the Strategy & Governance, and Incorporation, and an A on the Active ownership module.

### b) If you are signatory to other coalitions, please list them.

Please see below for a list of international coalitions that FI (or its subsidiaries) have joined:

- FI is a signatory to the UN PRI.
- FI has provided a response to the UK Financial Reporting Council Stewardship Code.
- Fisher Investments Japan Limited, a wholly-owned subsidiary of FI, is a signatory of the Japanese Stewardship Code.
- FI is a full signatory to the UN Global Compact.
- FI is a signatory to the Carbon Disclosure Project (CDP).
- FI is a signatory to the Climate Action 100+.
- FI is a supporter of the Task Force on Climate-related Financial Disclosure (TCFD).

### c) Indicate any other international standards, industry guidelines, reporting frameworks, or initiatives that guide your responsible investing practices.

Please see question 3) b) above.

**4) Please describe how ESG oversight and integration responsibilities are structured at your firm, including the process for escalation of key ESG issues. How do you obtain ESG information/data (e.g. public information, third party research, reports and statements from the company, direct engagement with the company)?**

Responsible Investments Committee/ Research Organization:

A formal Responsible Investments Committee consisting of members from Fisher Investments Institutional Group (FIIG) and FI's Portfolio Management Group's leadership was formed in 2017. FI's Responsible Investments Committee is ultimately responsible for our sustainability policies and provides comprehensive oversight of portfolio decision making, with ESG research carried out by our Research Analysts. The Responsible Investments Committee, comprising leadership from our Portfolio Management Group and our Institutional Client Services and Institutional Sales teams, develops and reviews our ESG policies and keeps FI apprised of ESG industry developments. This committee meets regularly with the intent of making FI a market leader in ESG investing through ESG implementation. We also use client satisfaction feedback and the annual PRI Assessment to review our progress regarding responsible investment. As responsible investment is a rapidly evolving discipline, FI devotes considerable resources to helping us acquire and maintain the requisite ESG knowledge and tools.

FI's ESG point-person on the IPC, Aaron Anderson, is ultimately responsible for our sustainability research. Aaron is Senior Vice President of Research at FI and is also a member of the Responsible Investments Committee.

**Responsible Investments Committee**

RESPONSIBLE INVESTMENTS COMMITTEE		
IPC Member	Sr. EVP of Institutional	Director of Responsible Investments
Select Institutional Relationship Managers	Investor Responsibility & Engagement Team	ESG Research Specialists

ESG Research Specialists

Additionally, FI has appointed five ESG Research Specialists on the Capital Markets team. Together with the designated ESG point-person on the IPC, Aaron Anderson, these ESG Research Specialists play a central role in the application of ESG considerations in the following areas of our process: investment research, guideline implementation and portfolio compliance. The ESG Research Specialists also serve as a resource for clients and prospective clients and are also responsible for training other Research Analysts on ESG issues as needed.

FIIG hired a Vice President of Investor Responsibility and Engagement to enhance our company engagement capabilities, which was previously handled solely by the Securities Research Analysts. The Vice President's main responsibilities are the provision of extra capacity for engagements, build a more coherent framework to support continuous engagements, and share a wealth of industry experience given her 20+ years of career experience as Vice President of Engagement at a US-based religious organization. FIIG hired an Investor Responsibility and Engagement Analyst and Associate to support the activities of the Vice President. Further, FIIG hired its first Director of Responsible Investments to assist in all aspects of ESG client reporting and content creation.

ESG Information and Data Gathering

FI uses various databases and information vendors to aid and augment our proprietary internal ESG research, including MSCI ESG Research (including MSCI Business Involvement Screening, MSCI Norms & Controversies and MSCI Carbon Metrics), Morningstar Sustainalytics Fund Globe Ratings, Bloomberg and FactSet to access ESG information. To aid ESG proxy voting, FI utilizes Institutional Shareholder Services, Inc. (ISS). Furthermore, we envision future collaboration with ESG aware FI clients to address specific ESG issues through proxy voting. FI also actively interacts with members of the ESG community. For example, FI employees attend numerous ESG- and SDG-related conferences, work with PRI to

implement ESG best practices, and a member of the IPC sits on the Sustainable Development Goals in Active Ownership Working Group. Additionally, FI is an active owner and frequently engages companies on ESG issues. Our Investor Responsibility and Engagement team and our ESG Research Specialists work together to identify ESG risks and opportunities and conduct engagement.

**5) What channels do you use to communicate ESG-related information to clients and/or the public? Do you produce thought leadership (written reports and publications)? If so, is the information available to the public? Please provide links, if applicable.**

FI is a training and knowledge-oriented organization, and our service philosophy begins with a commitment to transparency and responsiveness. FI provides in-depth reporting and global market commentary and outlooks to the client, as well as regular research and educational materials and presentations. All of these materials can be fully customized to focus on ESG.

We share a large amount of investment training and global market research with our clients, and we are continually producing leading commentary and insights on ESG investment management innovation. We pride ourselves on client communication and education and make special efforts to present our views on global markets and ESG regularly.

Our client service department has the ability to provide the following:

Customized Research & Education

- Conduct customized presentations tailored to clients' interests and topics of preference (such as ESG).
- Create ESG research and educational materials for clients as a whole or to individual members of their organizations.

Client Communication

- Provide a dedicated Portfolio Specialist and/or Relationship Manager accessible to clients for market updates and to discuss ESG aspects of the portfolio.
- Provide clear and straight-forward updates about our IPC's thoughts on market events and ESG topics.

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- Provide clear and straight-forward updates about our IPC's thoughts on market events and ESG topics.

Furthermore, FI produces a number of ESG reports and can customize reporting to the client's needs. We frequently provide clients with reporting in the desired format and frequency. Below are a few examples of ESG reporting that FI currently provides:

- Bi-annual ESG newsletter
- ESG Quality Score Reporting
- Carbon Impact Report
- Carbon Portfolio Analytics Report
- Engagement Report

We can generally provide reporting on some extra-financial/ESG aspects as part of standard reporting, and are pleased to customize reporting for our requirements whenever possible. Firm level engagement and proxy voting reports are uploaded to the company website annually (link: <https://institutional.fisherinvestments.com/en-us/process/esg>).

Additionally, we publish ongoing commentary on our website for a variety of ESG topics ([link: https://institutional.fisherinvestments.com/en-us/research](https://institutional.fisherinvestments.com/en-us/research)).

Our in-house Client Reporting Team is dedicated to handling clients' reporting requests, and we take pride in our willingness and ability to customize reporting to fit clients' needs and preferences.

**6) Do you have periodic reviews of your ESG process/approach to assess its effectiveness? What are the results? What would cause you to disregard ESG issues in your investment/analysis decisions?**

Yes. Developing and continuously improving our ESG resources and capabilities is a high priority for FI, in order to meet our client demands in implementing ESG. While the majority of our efforts are designed to be forward-looking and increase future performance, we frequently set aside time for critical evaluation of past periods, as continuous improvements of the investment process is one of FI's core tenets. This is the case in times of outperformance as well as underperformance. A primary goal is to identify new factors which may impact future performance, as well as biases in our own management approach, which may be limiting returns.

FI has been managing accounts with various thresholds of environmental and social mandates for over two decades, and over that time has continuously devoted additional resources toward advancing our ESG efforts. Over the last four years, we have grown our designated ESG Research Specialist staff from one professional to five, and also added an IPC member. Additionally, we have expanded our base of ESG research and tools in order to better meet client ESG demands.

In conjunction to internal reviews, the PRI annual assessment report grants us the opportunity to determine our areas for improvement. FI's assessment grade has improved over the last several years, which is reflective of the additional resources dedicated to firm-wide ESG efforts. On the 2020 Assessment Report, FI received A+ scores on the Strategy & Governance, and Incorporation, and an A on the Active ownership module. FI greatly values these opportunities as we are dedicated to continually improving our ESG capabilities.

Generally we would not disregard ESG issues during investment decision-making, rather ESG issues are integral part of overall stock analysis. If the IPC were to disagree on an ESG concern, there would be an iterative process of further information gathering and debate on the matter. This would include interaction with the Research Analysts and an effort to find information that supports or refutes both arguments. As the Co-Chief Investment Officers of the firm, Ken Fisher and Jeffery Silk have veto power, although in practice this would be utilized extremely rarely in the investment process.

If a collective agreement or decision is not reached then we would ultimately have lower conviction on that particular theme, weighting or stock decision.

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## CLIMATE

**7) Describe how you identify, assess, and manage climate-related risks.**

FI considers both direct and transition risks and opportunities on the organization and its primary activities related to investment management. While the direct climate-related risks to our organization are limited, FI does consider such risks throughout the investment process. Within portfolios, for example, we review the impact of climate-related legislation and shifting consumer and investor preferences on country, sector, and security decisions. FI assesses the risk of climate change in the portfolio screening process, examining specific climate change sources such as toxic emissions, fossil fuel production, and fossil fuel use. Within ESG portfolios, carbon-related risks are more directly targeted by restricting various coal-fired utilities and mining companies involved in thermal coal extraction. FI offers several investment strategies that explicitly include portfolio-level carbon reduction targets. Such offerings include 'ex-Fossil Fuels' and 'Impact' variants of



primary strategies whose targets include a 50% or greater reduction in Weighted Average Carbon Intensity relative to the relevant benchmark. Additionally, these strategies specifically prohibit either the worst decile or the worst two deciles of the benchmark with regards to carbon intensity from their respective investment universes.

FI considers the risk of potential climate related legislation and the risk of carbon emissions primarily by restricting various coal fired utilities and mining companies involved in thermal coal extraction. FI continually reevaluates companies within the ESG portfolio for policy compliance; ensuring securities held in the ESG portfolio maintain socially responsible business practices. Such assessments are meant to improve the probability of alpha generation and are not driven by ideological preferences.

**8) Describe the climate-related risks and opportunities you have identified over the short, medium, and long term.**

Generally, we assess any risks by attempting to measure the scale and impact as well as a potential time frame when the risk might occur. Our investment strategy and positioning reflects our outlook over the next 12-18 months as we believe market participants are primarily concerned with material economic and non-economic factors over this time frame. Determinations on the materiality of risks are generally assessed over this timeframe, given the variability of outcomes associated with long term economic and risk projections. Such assessments are meant to improve the probability of alpha generation and are not driven by ideological preferences.

With respect to climate change, FI considers near-term direct risks as well as longer term transition risks and opportunities from climate change throughout the investment process. Within portfolios, for example, we review the impact of climate-related legislation and shifting consumer and investor preferences on country, sector, and security decisions. FI assesses the risk of climate change in the portfolio screening process, examining specific climate change sources such as toxic emissions, fossil fuel production, and fossil fuel use. Within ESG portfolios, carbon-related risks are more directly targeted by restricting various coal-fired utilities and mining companies involved in thermal coal extraction. Within Low Carbon portfolios, FI explicitly targets a carbon footprint reduction relative to a benchmark. FI continually reevaluates companies within ESG portfolios for policy compliance; helping to ensure securities held in the ESG portfolio maintain socially responsible business practices. Such assessments are meant to improve the probability of alpha generation and are not driven by ideological preferences. Generally speaking, however, we view transition risks to the global economy as a long term market consideration beyond the timeframe we traditionally use in the investment decision.

Short term: Regulatory, Environmental Stewardship, & Business Activities

Short term risks and opportunities are those where businesses may be negatively impacted by regulation or poor environmental stewardship or positively impacted through a business activity (e.g. energy efficient products and services.) Such risks and opportunities are idiosyncratic and mostly within our investment horizon (12-18 months).

Medium term: Regulatory & Reputational

Medium term risks and opportunities are those where country policy or shifting consumer preferences may have more general impact (positively or negatively.) Such risks and opportunities are sometimes idiosyncratic, and sometimes within our investment horizon (12-18 months).

Long term: Climate Change Transition Risks

Long term risks and opportunities are those mostly associated with a broader transition from a carbon-based economy. While slower to manifest, such long-term risks and opportunities are monitored to help ensure shorter-term opportunities and risks are appropriately identified.

Viewing climate-risk as a longer term market consideration allows us the potential to create winners and losers primarily through legislative action and innovative energy efficient solutions from private enterprise. Political examples would include multi-nation agreements on carbon reduction and various countries

deemphasizing the use of coal in favor of alternative and cleaner energy sources. We believe the winners moving forward will likely be companies finding innovative and sustainable solutions for efficient energy production and consumption, in turn unlocking shareholder value. Long term risks and opportunities are those mostly associated with a broader transition from a carbon-based economy. Such risks and opportunities are systematic and not within our investment horizon.

**9) Describe the resilience of your investment strategy, taking into consideration different climate-related scenarios.**

FI became a supporter of the TCFD in late 2019 and we have conducted scenario analysis/climate risk stress testing on very limited basis to date, we also plan to publish a TCFD-aligned report by year-end. The firm has engaged with data providers (e.g. MSCI ESG, Sustainalytics, ISS) to assess various climate scenario/stress test offerings. We expect our capabilities to complete more formal climate scenario analysis to increase over time. We do regularly review carbon foot print data (e.g. Carbon Emissions/Carbon Intensity) as part of efforts to monitor carbon related portfolio risks.

FI believes ESG investors are best served by an investment process considering both top-down ESG issues, as well as those same ESG issues from a bottom-up perspective. FI believes integrating ESG analysis at the country, sector and security levels consistent with the clients' investment goals and ESG policies increases the likelihood of achieving desired performance and improving environmental and social conditions globally. FI works to incorporate ESG practices into the investment process in a manner that focuses on long-term results (rather than immediate returns) and allows for repeatability in the application of our investment process. At the industry level, responsible investing proposes investing in companies that meet the needs of the present without compromising the ability of future generations to meet their needs.

**10) Do you track the carbon footprint of portfolio holdings?**

Yes.

**If yes, please describe the methodology and metrics used, and whether you have a set target for reducing the portfolio's footprint.**

Yes, FI is able to measure the carbon footprint for individual portfolios, including Scope 1, 2, and 3 emission data. We utilize MSCI ESG Carbon Portfolio Analytics to measure the carbon intensity and carbon footprint of the portfolio. The portfolio has had a lower carbon footprint than the benchmark for several years, which is a direct result of our security selection and our views on the sectors responsible for a disproportionate amount of carbon emissions. We do not, however, actively target a particular carbon footprint in non-Impact strategy portfolios.

We are able to partner with our clients to accommodate specific carbon mandates or produce specific carbon reporting. FI considers the risk of potential climate related legislation and the risk of carbon emissions primarily by restricting various coal fired utilities and mining companies involved in thermal coal extraction. FI assesses the risk of climate change in the portfolio screening process, examining specific climate change sources such as toxic emissions, fossil fuel production, and fossil fuel use. FI continually re-evaluates companies within the ESG portfolio for policy compliance, ensuring securities held in the ESG portfolio maintain socially responsible business practices.

FI considers both direct and transition risks and opportunities on the organisation and its primary activities related to investment management. While the direct climate-related risks to our organisation are limited, FI does consider such risks throughout the investment process. Within portfolios, for example, we review the impact of climate-related legislation and shifting consumer and investor preferences on country, sector, and security decisions. Within ESG portfolios, carbon-related risks are more directly targeted by restricting various coal-fired utilities and mining companies involved in thermal coal extraction. Within Low Carbon and Impact portfolios, FI explicitly targets a carbon footprint reduction relative to a benchmark. FI

continually re-evaluates companies within the ESG portfolio for policy compliance, ensuring securities held in the ESG portfolio maintain socially responsible business practices. Such assessments are meant to improve the probability of alpha generation and are not driven by ideological preferences.

\* Source: MSCI ESG Research

**11) What are your firm's emissions? Please demonstrate how/whether you are taking steps to reduce these scenarios?**

FI's most recent assessment on carbon emissions for our primary headquarters located in Camas, Washington was completed from in summer of 2019. The Energy Star benchmark report was provided through the Department of Energy and the Environmental Protection Agency's Portfolio Manager Platform. Results showed carbon emissions annually for Building 1 was 17.3 pounds of CO2 per square foot and the building is 114,000 square feet. For Building 2, it was 9.44 pounds of CO2 per square foot annually and the building is also 114,000 square feet.

As a firm, FI is looking for ways to promote our green values both internally and externally to support our ESG efforts. FI's established the Green Team in 2019, a group of volunteer employees from throughout the firm who have been tasked with answering the following opportunity statement – How can Fisher Investments improve our environmental impact? In other words, how can FI focus on the “E” in ESG, both in our company, on our campuses and amongst our employee base? The Green Team's activities are organized in the following categories: building improvements, sustainability initiatives for campus buildings, human capital, and client and prospect meetings.

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## DIVERSITY

**12) Please provide the composition of your senior leadership team and board of directors, including women and visible minorities. How do you encourage diversity of perspectives and experience?\***

Our culture values and supports inclusivity and diversity. We hire from all educational and professional backgrounds and from locations around the world, creating diversity of thought and experience. While our work is not done, we are proud of the progress we've made:

- **Senior Leadership Team:** 44% identify as women or minority\*
- **Management:** 42% identify as women or minority\*
- **Global Workforce:** 43% identify as women or minority\*

We believe to succeed as a firm, we must have an inclusive culture, actively developing, and supporting diversity, where all feel welcome and supported. Embodying these values across our organization is crucial to our vision, culture, and success. We believe a culture that celebrates and encourages diversity enables each employee to build a lifelong career and helps us better the investment universe.

Fisher Investments maintains a Diversity & Inclusion Team dedicated to sustained advancement of our program. The team is led by a Head of Diversity & Inclusion and supported by a D&I Advisory Committee consisting of four executive members of Fisher, which helps ensure D&I is appropriately resourced and prioritized among our company's strategic goals. Broadly, the D&I Team is responsible for driving our D&I initiatives, measuring our progress over time, and reporting on our results to internal and external audiences. Our D&I Team, in consultation with our D&I Advisory committee and under the direction of our CEO, sets annual goals relating to the advancement of our Diversity & Inclusion Program. Core components of the Program include: Training, Recruiting, Resources, Communication, Benchmarking, and Employee Lifecycle.

Our D&I Program recently accomplished initiatives which include, but are not limited to:

### **Firm Commitment**

- We made the first update to firm’s Vision Statement in 13 years, reflecting our long-term commitment to D&I. *“To succeed, we must have an inclusive culture, actively developing and supporting diversity across the vast spectrum of human differences, creating a place of authentic belonging for all.”*
- We also updated our “Values in Action” which provides employees tangible examples of our cultural values. *“Actively develop and support diversity, equity, and inclusion.”*
  - *Equitably recruit, hire, develop and retain employees with diverse backgrounds and perspectives*
  - *Seek diverse perspectives and celebrate differences*
  - *Create a place of authentic belonging and inclusion”*
- D&I is one of a handful of strategic, firm-wide goals set by our CEO. 2021’s goal is: *“Continue our multi-year journey to be an industry leader in our D&I efforts with a focus on improving diversity at all stages of the employee lifecycle.”*
- We send out regular firm-wide communications on progress toward our D&I goals.
- In Q1 2021, we established a formal Diversity & Inclusion Policy.

### **Assessments of Employee Engagement and Inclusion**

- We conducted the annual “Great Place to Work” survey to gather anonymous employee feedback on their experience working at the firm.
- We partnered with an industry-leading D&I consulting firm to field their Inclusion Index Survey to all employees in 2019 and 2020. Employees anonymously completed the survey and assessed factors such as their sense of belonging, workplace respect, organizational fairness, and leveraging different perspectives.
- We use insights from these surveys to create and prioritize D&I and other human capital related initiatives.
- Completed “listening tour” of 23 employee focus groups on D&I to perform a qualitative assessment.

### **Training**

- We launched new-employee onboarding D&I training.
- We completed Inclusive Leadership Development Workshops for all managers.
- We added “Inclusive Leadership” as an evaluation factor for all manager reviews.
- We added “Values Differences” as a core competency expected of all employees to help ensure we’re hiring and developing employees who consistently value and foster diverse perspectives.
- We are preparing to launch mandatory D&I training for all employees which includes topics such as Introduction to D&I, Inclusive Leadership, and Unconscious Bias training.

### **Recruiting**

- Expanded recruiting alliances and targeted recruiting campaigns with diverse organizations and associations, which now include:
  - Partner with DirectEmployers, a non-profit association that provides us with targeted job post distribution to over 60 sites catering to diverse job seekers.
  - Recruiting alliances include, but are not limited to: American Business Women’s Association (ABWA), Sharp Heels, Color COMM (Women of Color in Communications), National Association for Black Accountants (NABA), Society of Hispanic Professional Engineers (SHPE), Girl Geek, Hire Heroes (Veteran Outreach) and Career Eco.
  - Posting jobs with and hiring from 71 historically Black colleges and universities (HBCUs), 53 Hispanic-serving institutions, 33 women’s colleges and 26 Asian American/Native American Pacific Islander-serving institutions.

- Maintain a strategic sponsorship with Fairy God Boss, offering a women's career community, practical career advice, job openings and company reviews to help women advance their careers.
- Implemented TapRecruit software to ensure job descriptions are inclusive and avoid biased language.
- Added a dedicated Diversity & Inclusion page on our external careers website ([fishercareers.com](https://fishercareers.com)) to highlight our culture, values, and commitment to D&I; encouraging a diverse applicant pool and making clear that all are welcome.

### Employee Resources

- Reviewed employee benefits, expanded resources to provide employees with access to robust emotional health support options globally.
- Piloted an employee Affinity Group, “Mosaic,” which focused on race and ethnicity. The Affinity Groups are forums for employees to build community and support around shared interests. Participant feedback found the pilot group sessions were both engaging and valuable. As a result, we plan to continue testing Affinity Groups in 2021.
- Designed a program to celebrate diversity by sharing information about different cultural and religious holidays or commemorations such as Juneteenth, Pride Month, Diwali, and Black History Month.
- Established a part-time work program available to all employees, globally.
- Additionally, we maintain a strategic external partnership with an industry-leading D&I consulting firm, whose role is to support us in the design and implementation of D&I initiatives and appropriate benchmarking.

### Our current D&I goals and initiatives include, but are not limited to:

2021 Strategic goal set by CEO: “Continue our multi-year journey to be an industry leader in our D&I efforts with a focus on improving diversity at all stages of the employee lifecycle.” Specific goals include:

- Pursue a variety of initiatives and alliances to broaden “top of recruiting funnel” to attract more diverse candidates, including but not limited to:
  - Expanding and deepening recruiting alliances with diverse organizations
  - Test new in-school candidate programs to attract diverse talent at colleges and universities
- Boost Participation in Career Development Programs to encourage less tenured employees of all backgrounds to develop the skills needed to advance their careers in professional-level, market, and client-facing positions.
- Conduct a *Talent Management Equity Audit* with D&I consulting partner to identify opportunities to increase diversity throughout the employee lifecycle.
- Evaluate and test programs relating to workplace flexibility.
- Roll out comprehensive D&I training across all levels of firm, covering the following, content tailored to job function (Executive, VP, Team Leader, and Individual Contributor).
  - Introduction
  - Inclusive Leadership
  - Unconscious Bias
  - Anti-Harassment
- Continue testing employee Affinity Groups centered around the following shared interests:
  - GEM (Gender Equality Matters)
  - Mosaic (Race & Ethnicity)
  - Pride (LGBTQ)
  - Able (Disabled; Differently-Abled)
- Create regular D&I feedback opportunities for employees including continuing to gather broad feedback from employee surveys and hearing from employees directly.
- Build dedicated D&I headcount that enhances capacity to drive sustained progress.

*\* As of July 1, 2021. FI collects diversity data on an employee-voluntary basis, in accordance with applicable local laws and regulations. The numerators do not double count (e.g. an ethnic minority female is only counted once). FI and its subsidiaries do not collect ethnicity information for non-US employees. "Managers" defined as Team Leaders, Program Managers with direct reports and up. "Senior Leadership Team" defined as Senior EVP and up.*

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## PROXY VOTING

### 13) What proportion of the time do you vote with or against management on shareholder resolutions, board appointments, and auditor appointments? What proportion of the time do you vote with or against management on ESG issues? How does this break down for climate, diversity, and remuneration issues?\*

FI utilizes a third-party proxy voting service, ISS as an advisory service and to manage the proxy voting process. ISS provides a vote recommendation, helping to ensure each agenda item is evaluated according to the client's policy guidelines, and then helps ensure the ballot shares are counted by the corporate issuer. Throughout this process, members of FI's Securities Operations team review the ballot handling and vote recommendations to help ensure the accuracy of the ballot reporting, and that the shares are being voted in line with the appropriate policy. FI reserves the right to override ISS-provided recommendations. Please find the following voting results on the requested items:

#### Voting on Shareholder resolutions, Board appointments, and Auditor appointments

With management: 89.14%, Against management: 10.86%

#### Voting on ESG Issues

With management: 19.41%, Against management 80.59%

#### Voting on Climate/Health

With management: 70.37%, Against management: 29.63%.

#### Voting on Diversity

With management: 33.33%, Against management: 66.67%.

#### Voting on Remuneration Issues

With management: 88.72%, Against management: 11.28%.

### 14) What proportion of all independent ESG shareholder resolutions do you support?\*

FI has voted in support of 80.58% of shareholder ESG resolutions.

### 15) What proportion of remuneration packages do you vote in favour of? In your view, is the current level of executive remuneration too high, too low, or about right? How is this view reflected in your voting record on remuneration?\*

FI voted for 84.53% of executive remuneration proposals. It's not possible to make general statements about the absolute levels (too high, too low, or about right) of packages as each remuneration package should be reviewed in the context of the individual company, relative to peer companies and with respect to the alignment of said remuneration package to creating shareholder value.

**16) Have you ever co-filed an ESG-related shareholder resolution? If so, how many and with what frequency?\***

FI has not filed or co-filed an ESG-related shareholder resolution.

**17) Have you ever voted against a director for explicitly ESG-related reasons? If so, why? If not, would you consider doing so in the future?\***

FI currently does not track this data through our third-party proxy voting service, ISS. We generally vote for director nominees, except under the circumstances of insufficient board independence, diversity, expertise, responsiveness, accountability to shareholders.

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## ENGAGEMENT

**18) How many companies do you engage with? What proportion of your engagements focus on environmental and social issues? What are your engagement goals? Are these goals outcome/action-based (e.g. decreases in emissions or increases in number of women on the board) or means-based (reporting on emissions or number of women on the board)?\***

For the past 12 months ending June 30, 2021, FI initiated engagement dialogue with 7 companies, whose specific securities are held in the *FIIG US Small Cap Value* portfolio. On a firm-wide basis, for the past 12 months ending June 30, 2021, FI engaged with 100 companies. Typically, two-thirds of our engagements focus on environmental or social issues. FI participated in an environmental disclosure co-engagement initiative in Q2 2021 that elevated the proportion of engagements focused on environmental and social issues to 79%.

Before undertaking an engagement, FI defines the engagement's objective and a plan for follow up with the company. The objectives include goals and milestones to measure progress, and if they are not met, we re-engage with the company. FI determines on a case-by-case basis whether an outcome/action-based or means-based goal is applicable for a company being engaged. All engagement interactions are documented in the firm's Engagement Tracker, and we produce a quarterly engagement report. Please find the Q2 2021 firm-wide Engagement Report attached.

**19) What is your policy around the escalation of engagement; how and why might this happen and what is the ultimate tool you might use (e.g. voting against board re-election, etc.)?\***

Our experience shows ESG issues are usually best addressed by direct, confidential contact with company officials, whether at the board or management level as appropriate. Thus, we prefer engagement over divestment.

In situations where a portfolio company is either unresponsive despite repeated inquiries or continues to perform poorly against the engagement objective, FI may seek to escalate the engagement dialogue. The escalation criteria include the materiality of the issue, the company's record of previous responsiveness, and if escalation serves our clients' best interests. If we activate escalation, we inform the management of our decision as well as our rationale.

Based on the evaluation, the IPC may take any of the following escalation action, at its discretion:

- Seek additional meetings with company management or board,
- Intervene in concert with other institutions on the issue,
- Vote in support of related shareholder proposals,
- Withhold our support from one or more board members, or

- Divest our holdings.

We take proxy voting very seriously and have long devoted substantial research and management time and resources to ensuring we make good voting decisions. The IPC maintains full responsibility for all voting activity. However, because many proxy issues fall into well-defined, standardized categories, we utilize ISS, an independent, third-party proxy voting service, as a resource in making informed proxy voting decisions. If the views of the IPC vary from ISS as applied to corporate governance standards, we vote shares in alignment with our view of the best interests of our clients—and not necessarily with management. Voting decisions are on the basis of our internal evaluation in each case and may rely on our own company specific research or other outside research group—in addition to the views of ISS.

Additionally, we have partnered with ISS to create a custom voting policy consistent with our ESG policies that is made available to all of our clients. We frequently engage with company management on proxy voting issues. FI also provides the option for clients to retain proxy voting capabilities. These options best facilitate the views of FI's investors being represented when casting votes.



## Disclosures

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<sup>1</sup> Fisher Investments (FI) is an investment adviser registered with the Securities and Exchange Commission (SEC). As of June 30, 2021, FI managed over \$231 billion CAD, including assets sub-managed for its wholly-owned subsidiaries. CAD asset values were calculated by using the USD-CAD exchange rate as of the dates indicated. Source: FactSet. All assets as of June 30, 2021 in this document are preliminary and subject to reconciliation of accounts. FI and its subsidiaries consist of four business units – Fisher Investments Institutional Group (FIIG), Fisher Investments US Private Client Group, Fisher Investments Private Client Group International, and Fisher Investments 401(k) Solutions Group. The Investment Policy Committee (IPC – the firm’s portfolio managers) are responsible for all investment decisions for the firm’s strategies. Investment in securities involves the risk of loss. Past performance is no guarantee of the future returns and no representation is made that results similar to those shown can be achieved.

<sup>2</sup> FI’s IPC and Research Analysts are generalists who devote their efforts to all of FI’s strategies. Some investment professionals also devote their efforts to other business units’ strategies.